

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 7508**

**BILL NUMBER:** SB 505

**NOTE PREPARED:** Jan 29, 2007

**BILL AMENDED:**

**SUBJECT:** Physician Medicaid Reimbursement Rates.

**FIRST AUTHOR:** Sen. Miller

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
X FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill requires the Office of Medicaid Policy and Planning (OMPP) to increase physician reimbursement in Medicaid managed care programs, fee-for-service programs, and demonstration projects by 10% in 2007 and 10% in 2008.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** This bill requires OMPP to increase all fees for licensed medical doctors and osteopathic doctors by 10% in FY 2008 and by another 10% in FY 2009. The increase in the second year is to be based on the amount paid after the 10% increase in the first year, which would result in an effective 21% increase for FY 2009 over the fees paid in FY 2007.

This bill would also impact reimbursement for physician services in other state programs that require state payments for services to be based on Medicaid reimbursement rates. Reimbursements to physicians making claims for emergency services under the Hospital Care for the Indigent (HCI) Program and the Children with Special Health Care Needs Program would be affected.

OMPP has estimated the impact of increasing only the evaluation and management fees for all physicians to require total additional funds of \$19.0 M and approximately \$42.4 M in the second year. These rate increases for the limited number of fees would require about \$7.22 M and \$16.1 M in state General Funds for FY 2008 and FY2009, respectively. (Evaluation and management fees are for services such as office visits, hospital visits, emergency room visits, and preventive well care visits.) An actuarial estimate for the 10% and 21% increase for all reimbursement rates to physicians is not available at this time.

The Medicaid Program is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

**Explanation of State Revenues:** See *Explanation of State Expenditures* regarding federal reimbursement in the Medicaid Program.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** OMPP, Family and Social Services Administration; Indiana State Department of Health.

**Local Agencies Affected:**

**Information Sources:** Office of Medicaid Policy and Planning.

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